

**YOUTH EMPOWERMENT  
PROJECT**

FINANCIAL REPORT

JUNE 30, 2013

# YOUTH EMPOWERMENT PROJECT

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***Reginald A. Bresette, III***  
***Limited Liability Company***

***Reginald A. Bresette, III, CPA***

Member  
American Institute of Certified Public Accountants  
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Youth Empowerment Project  
New Orleans, Louisiana

**Report on the Financial Statement**

I have audited the accompanying financial statements of Youth Empowerment Project (a non-profit organization) (the Organization) which comprise the statements of financial position as of June 30, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

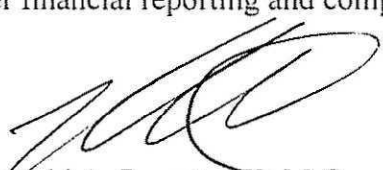
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Empowerment Project as of June 30, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 20, 2013 on my consideration of Youth Empowerment Project internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Youth Empowerment Project's internal control over financial reporting and compliance.



Reginald A. Bresette III, LLC  
Certified Public Accountant  
December 20, 2013

**YOUTH EMPOWERMENT PROJECT**  
**(A Not For Profit Organization)**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2013**

**ASSETS**

**Current Assets**

|   |              |
|---|--------------|
| Cash and cash equivalents               | \$ 496,401   |
| Unconditional promises to give (Note 3) | 868,130      |
| Reimbursement receivable (Note 4)       | 111,456      |
| Prepaid expenses                        | <u>2,497</u> |
| Total current assets                    | 1,478,484    |

|   |                            |
|---|----------------------------|
| Assets restricted to investment in property,<br>Furniture, and equipment (Note 5) |                            |
| Cost less accumulated depreciation  | 438,169                    |
| Security deposit  | <u>3,697</u>               |
| Total assets  | <u><u>\$ 1,920,350</u></u> |

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

|                           |               |
|---------------------------|---------------|
| Accounts payable          | \$ 26,590     |
| Payroll taxes payable     | <u>17,534</u> |
| Total current liabilities | <u>44,124</u> |

|                   |               |
|-------------------|---------------|
| Total liabilities | <u>44,124</u> |
|-------------------|---------------|

|  |                  |
|--|------------------|
| Unrestricted net assets                    | 557,352          |
| Temporarily restricted net assets (Note 7) | <u>1,318,874</u> |

|                  |                  |
|------------------|------------------|
| Total net assets | <u>1,876,226</u> |
|------------------|------------------|

|                                  |                            |
|----------------------------------|----------------------------|
| Total liabilities and net assets | <u><u>\$ 1,920,350</u></u> |
|----------------------------------|----------------------------|

The accompanying notes are an integral part of these financial statements.

**YOUTH EMPOWERMENT PROJECT**  
(A Not For Profit Organization)

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|   | <u>Unrestricted</u>      | <u>Temporarily<br/>Restricted</u> | <u>Total</u>               |
|---|--------------------------|-----------------------------------|----------------------------|
| <b>Support, revenues and reclassifications</b>  |                          |                                   |                            |
| Public support:   |                          |                                   |                            |
| Grants  | \$ 838,990               | \$ 1,491,709                      | \$ 2,330,699               |
| Contributions   | <u>104,989</u>           |                                   | <u>104,989</u>             |
| Total public support  | <u>943,979</u>           | <u>1,491,709</u>                  | <u>2,435,688</u>           |
| Reclassifications:  |                          |                                   |                            |
| Net assets released from restrictions due to<br>satisfaction of time and purpose restrictions | <u>1,176,901</u>         | <u>(1,176,901)</u>                |                            |
| Total reclassifications   | <u>1,176,901</u>         | <u>(1,176,901)</u>                |                            |
| Total support, revenues and reclassifications   | <u>2,120,880</u>         | <u>314,808</u>                    | <u>2,435,688</u>           |
| <b>Expenses</b>   |                          |                                   |                            |
| Program services  | <u>1,561,569</u>         |                                   | <u>1,561,569</u>           |
| Supporting services:  |                          |                                   |                            |
| Management and general  | 384,225                  |                                   | 384,225                    |
| Fundraising   | <u>107,452</u>           |                                   | <u>107,452</u>             |
| Total supporting services   | <u>491,677</u>           |                                   | <u>491,677</u>             |
| Total expenses  | <u>2,053,246</u>         |                                   | <u>2,053,246</u>           |
| <b>CHANGES IN NET ASSETS</b>  | 67,634                   | 314,808                           | 382,442                    |
| <b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>  | <u>489,718</u>           | <u>1,004,066</u>                  | <u>1,493,784</u>           |
| <b>NET ASSETS AT THE END OF THE YEAR</b>  | <u><u>\$ 557,352</u></u> | <u><u>\$ 1,318,874</u></u>        | <u><u>\$ 1,876,226</u></u> |

The accompanying notes are an integral part of these financial statements.

**YOUTH EMPOWERMENT PROJECT**  
(A Not For Profit Organization)

**STATEMENT OF CASH  
FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**  
Increase (decrease) in Cash and Cash Equivalents

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|  |                    |
|--|--------------------|
| Cash received from the public support            | \$ 2,280,133       |
| Cash payments for operating expenses             | (691,353)          |
| Cash payments for employee salaries and benefits | <u>(1,333,349)</u> |
| Net cash provided (used) by operating activities | <u>255,431</u>     |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|  |                 |
|--|-----------------|
| Purchase of land, building and improvements      | <u>(38,234)</u> |
| Net cash provided (used) by investing activities | <u>(38,234)</u> |

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|  |                          |
|--|--------------------------|
| Payments on mortgage payable                         | <u>(276,647)</u>         |
| Net cash provided (used) by investing activities     | <u>(276,647)</u>         |
| Net increase (decrease) in cash and cash equivalents | (59,450)                 |
| Cash and cash equivalents at beginning of year       | <u>555,851</u>           |
| Cash and cash equivalents at end of year             | <u><u>\$ 496,401</u></u> |

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

|  |                          |
|--|--------------------------|
| Change in net assets   | <u>\$ 382,442</u>        |
| Adjustments to reconcile change in<br>net assets to net cash provided (used) by<br>operating activities: |                          |
| Depreciation   | 15,449                   |
| (Increase) decrease in unconditional promises to give  | (180,880)                |
| (Increase) decrease in receivables   | 25,325                   |
| (Increase) decrease in security deposits   | (1,200)                  |
| Increase (decrease) in accounts payable  | 10,587                   |
| Increase (decrease) in payroll taxes payable   | 3,708                    |
| Total adjustments  | <u>(127,011)</u>         |
| Net cash provided (used) by operating activities   | <u><u>\$ 255,431</u></u> |
| Supplemental Information   |                          |
| Interest expense   | <u><u>\$ 4,129</u></u>   |

The accompanying notes are an integral part of these financial statements.

**YOUTH EMPOWERMENT PROJECT**  
(A Not For Profit Organization)

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|                          | PROGRAM<br>SERVICES | SUPPORTING SERVICES     |                   |                   | TOTAL<br>EXPENSE    |
|--------------------------|---------------------|-------------------------|-------------------|-------------------|---------------------|
|                          |                     | MANAGEMENT<br>& GENERAL | FUNDRAISING       | TOTAL             |                     |
| Salaries                 | \$ 877,596          | \$ 176,741              | \$ 64,260         | \$ 241,001        | \$ 1,118,597        |
| Benefits                 | 171,393             | 34,517                  | 12,550            | 47,067            | 218,460             |
| Accounting               |                     | 37,748                  |                   | 37,748            | 37,748              |
| Client Expense           | 86,256              |                         |                   |                   | 86,256              |
| Computers & Maintenance  | 708                 | 12,747                  | 708               | 13,455            | 14,163              |
| Consultants              | 142,187             | 23,698                  | 23,698            | 47,396            | 189,583             |
| Counseling Sessions      | 2,735               |                         |                   |                   | 2,735               |
| Depreciation             |                     | 15,449                  |                   | 15,449            | 15,449              |
| Educational Tutor        | 62,175              |                         |                   |                   | 62,175              |
| General Insurance        | 28,475              | 7,593                   | 1,898             | 9,491             | 37,966              |
| Interest Expense         |                     | 4,129                   |                   | 4,129             | 4,129               |
| Miscellaneous            | 30,554              | 7,437                   |                   | 7,437             | 37,991              |
| Office Expense           | 12,383              | 37,150                  |                   | 37,150            | 49,533              |
| Postage                  | 785                 | 2,356                   |                   | 2,356             | 3,141               |
| Printing and Duplication | 4,376               | 4,376                   |                   | 4,376             | 8,752               |
| Rent (Note 6)            | 32,373              | 8,633                   | 2,158             | 10,791            | 43,164              |
| Support Services         | 60,269              |                         |                   |                   | 60,269              |
| Telephone                | 15,327              | 4,087                   | 1,022             | 5,109             | 20,436              |
| Training                 | 8,111               |                         |                   |                   | 8,111               |
| Travel                   | 8,489               | 2,930                   |                   | 2,930             | 11,419              |
| Utilities                | 17,377              | 4,634                   | 1,158             | 5,792             | 23,169              |
| Total                    | <u>\$ 1,561,569</u> | <u>\$ 384,225</u>       | <u>\$ 107,452</u> | <u>\$ 491,677</u> | <u>\$ 2,053,246</u> |

The accompanying notes are an integral part of these statements.



YOUTH EMPOWERMENT PROJECT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 – NATURE OF ACTIVITIES

The History and Mission of the Youth Empowerment Project (YEP):

“The Youth Empowerment Project (YEP) is a community-based 501(c)(3) non-profit organization. YEP’s founders started the organization in 2004 in order to assist young people returning to New Orleans from correctional facilities. Since its inception, YEP has earned local and statewide recognition for being at the cutting edge of progressive programs for at-risk youth.

YEP started as the first-of-its-kind re-entry program for juvenile offenders in Louisiana and now we are the region’s most comprehensive and established agency working with at-risk, court-involved and out-of-school youth. Post-Katrina, we expanded our original mission statement to meet the increased needs of our community. The mission of the Youth Empowerment Project is: “By providing intensive case management, mentoring and educational services to at-risk New Orleans youth, we will strengthen each young person’s capacity to successfully connect with his or her family and community and lay the foundation for a healthy transition to adulthood.”

YEP provides youth with GED and literacy services; job skill development and placement; mentoring; intensive case management; and a holistic set of client-centered ancillary wrap-around services that are unique to each youth and their individual circumstances. YEP currently serves approximately 1000 youths annually through our seven programs.

The Community Need for YEP/Who YEP Serves:

There is a tremendous need for the array of high quality services that YEP provides to youth in our community. Across all of the Youth Empowerment Project’s programs, we serve some of New Orleans’ most vulnerable and under-served youth. More than 80 percent of our youth are growing up in single-parent households and 95 percent of these families have a female head of household. Nearly 90 percent of our youth are live below the poverty line, and 95 percent of our youths’ parents have a high school education or less.

Furthermore, research shows that New Orleans youth are some of the most at-risk and disadvantaged in the country:

YOUTH EMPOWERMENT PROJECT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

The Annie E. Casey Foundation's 2011 Kids Count report found that:

- 11 percent of Louisiana teens ages 16-19 are not in school and have not earned a high school diploma or a GED.
- Louisiana's teen-death rate has risen by 11 percent since 2000 and nearly half (46 percent) of all teen homicide victims were residents of Orleans Parish.
- 34 percent of the children in New Orleans live in poverty; the national average is 20 percent.

According to the Schott Foundation for Public Education, in 2009, only 39 percent of Louisiana's black males graduated from high school, compared to 59 percent of white males.

The Central City neighborhood where YEP's main office has been located since our inception is one of the most underserved and violent neighborhoods in New Orleans. According to the 2010 "City of New Orleans Neighborhood Market Drill Down," the median income of the Central City households is \$18,114 and the unemployment rate of residents 16 and over is 47.3 percent.

Youth Empowerment Project Programs

YEP projects that we will serve over 1000 youths during the 2012-2013 fiscal year through our seven programs:

- **NOPLAY (New Orleans Providing Literacy to All Youth) Program**, founded in 2006, is the Youth Empowerment Project's main educational program and specializes in providing GED and literacy services to out-of-school youth. **NOPLAY has successfully served over 2,500 students since Hurricane Katrina and produced 220 GED graduates.**

YOUTH EMPOWERMENT PROJECT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

- **The Village Program**, established in 2009, is a self-contained, structured class at NOPLAY that provides youth ages 16 to 21 with engaging and innovative instruction five days a week. In addition to educational help, the Village provides youth with intensive wrap-around case management, mentoring and supportive services. **Last year, the GED graduation rate for black male youth in the Village program increased by 17 percent.**
- **The Community Reintegration Program** was Louisiana's first juvenile reintegration program when it was founded in 2004, and remains the only such program in the New Orleans area. It provides intensive individualized mentoring, case management and supportive services to youth, who are also invited to participate in YEP's other programs. To date, over 500 youth have been served through this program, and 22 are currently enrolled in the program. **According to an external evaluation, 91 percent of all Reintegration youth were not revoked and did not return to the OJJ system during the 2011 fiscal year.**
- **The Community Based Mentoring (CBM) Program** was created in 2008 in order to meet the needs of the larger community and reach youth early enough to prevent involvement in the juvenile justice system. CBM targets boys and young men ages 8 to 16 who are not court-involved but are at-risk for delinquent behavior. Youth receive intensive mentoring and wrap-around services. **100 percent of the youth who have been served through CBM have had no involvement with the juvenile justice system and remain successfully engaged in the traditional K-12 educational system.**
- **The Summer Camp** is free to youth ages 7 to 15. Campers participate in a wide array of group activities such as field trips, swimming lessons, and arts and crafts projects over a six-week period. Summer Camp served 76 youth in 2013, all of whom reported on a survey that they would recommend the camp to their friends and family. **Sixty percent of campers demonstrated an improvement in behavior, as evidenced by YEP's internal behavioral monitoring database.**

YOUTH EMPOWERMENT PROJECT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

- **The Afterschool Enrichment Program** provides Central City youth ages 7 to 15 with academic support, group activities, field trips, assistance with basic needs, and individualized mentoring. Additionally, YEP provides Louisiana Educational Assessment Program (LEAP) preparation to students who need it, to ensure that they have the skills and knowledge they need to pass the examination and move to the next grade level. **Last year, this LEAP preparation program had a 100 percent success rate, as every child who attended the tutoring program passed the examination.**
- **The Trafigura Work & Learn (W&L) Center** is modeled after the highly successful W&L Center operated by Domus Kids in Stamford, CT, and is the second in the United States funded through the Trafigura Foundation. Located in the Central City area of New Orleans, W&L is a youth employment program where youth earn a stipend while working alongside YEP staff, gaining vital hard and soft skills that help them get and keep jobs. **Fifty percent of youth who have completed the W&L program have made the successful transition to employment.**

Overview of in-house Services Available to YEP Youth:

With seven programs and a team of experts, YEP currently provides the following supportive services to our youth clients and their families:

1. Intensive and individualized case management services
2. Youth Mentors and Advocates
3. GED preparation; structured classes for students at a variety of skills levels; a drop-in center with flexible class hours; and one on one instruction
4. After-school tutoring
5. Family and individual mental health counseling
6. In-house substance abuse education groups
7. Transportation services for clients and families
8. Job readiness
9. Cultural/educational activities and field trips
10. Young men's awareness & empowerment groups
11. Anger management and violence prevention groups
12. Referrals to health and social service agencies
13. Assistance with basic needs
14. Educational advocacy and support
15. Post-secondary transition support

YOUTH EMPOWERMENT PROJECT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

YEP's Partners:

Much of YEP's success can be attributed to our ability to create and maintain formal and informal partnerships with a wide range of stakeholders in the community. Some of our key collaborations include the following:

1. Louisiana Office of Juvenile Justice (OJJ) refers youth to YEP for our Community Reintegration and Mentoring programs and supports our efforts through fee-for-service contracts.
2. Orleans Parish Juvenile Court refers youth for case management, tutoring and GED services.
3. New Orleans Criminal District Court supports NOPLAY activities by referring young adults and providing financial support for staff and overhead.
4. Literacy Alliance of Greater New Orleans provides technical assistance and staff training.
5. Delgado Community College (DCC) is a partner with YEP through the Tulane Tower Learning Center Collaborative.
6. Juvenile Justice Project of Louisiana (JJPL) provides YEP with resources and support regarding advocating for clients in educational settings and looking into abuse allegations in secure facilities.
7. Raintree Children and Family Services is a non-profit social service organization that provides in-house, violence prevention and anger management services to YEP youth.
8. Café Reconcile is a community-based organization that provides youth with hospitality training.
9. Partnership for Youth Development provides YEP staff with technical assistance and free, evidenced- based training opportunities for youth advocates.
10. Urban Strategies (US) provides case management services to former public housing residents from one New Orleans community. They send us referrals for our Community-Based Mentoring program.
11. Families and Friends of Louisiana's Incarcerated Children (FFLIC) provides support to parents and staff concerned about the "school to prison pipeline" and provides them with advocacy tools.
12. Urban Impact Ministries sponsors YEP youth to attend a week-long leadership and sports camp in Missouri during the summer
13. Liberty's Kitchen provides referrals to our NOPLAY program and enrolls some of our students in their hospitality training program.
14. Covenant house provides assistance with emergency housing for youth.
15. NO AIDS Taskforce provides peer training regarding health-related issues.

**YOUTH EMPOWERMENT PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958, *Not-For-Profit Entities*. Under Topic 958, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of YEP and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that may or will be met by actions of YEP. These restrictions are considered to expire when payments for restricted purposes are met.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for YEP.

Uncertain Tax Positions - YEP recognizes the financial impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of June 30, 2013, YEP did not have any uncertain tax positions. Tax years ended June 30, 2010 and later remain subject to examination by taxing authorities.

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 20, 2013, which is the date the financial statements were available to be issued.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



YOUTH EMPOWERMENT PROJECT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Cash and Cash equivalents - For purposes of the statement of cash flows, YEP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

YEP maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. YEP has not experienced any losses in such accounts. YEP believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fixed assets - All expenditures for leasehold improvements and equipment are capitalized.

Depreciation on property and improvements is provided by using the straight-line method over the estimated life of 31.5 years. Depreciation on equipment is provided by using the straight-line and the declining-balance method over the estimated useful lives of 5 to 7 years.

Income taxes - YEP is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE:

During the year YEP entered into contracts representing unconditional promises to give as follows:

Various grant agreements were established during the year in which \$1,663,310 has been awarded. At June 30, 2013 funds of \$795,180 have been received.

In summary, unconditional promises to give at June 30, 2013 and expected to be collected in the future total \$868,130.

NOTE 4 – REIMBURSEMENTS RECEIVABLE

YEP has incurred expenses related to providing services to court-involved, at-risk, and out of school youths at June 30, 2013, in excess of contract fees for services received at that date. A receivable has been recorded on these cases for the excess expenses as follows:

YOUTH EMPOWERMENT PROJECT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

|                                       |                  |
|---------------------------------------|------------------|
| Louisiana Community and Technical     | \$18,755         |
| New Orleans P & J Foundation          | 21,140           |
| Louisiana Office of Youth Development | 18,054           |
| New Orleans Criminal District Court   | 14,024           |
| Urban Strategies                      | <u>39,483</u>    |
|                                       | <u>\$111,456</u> |

NOTE 5 – PROPERTY FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following at June 30, 2013.

|                                |                   |
|--------------------------------|-------------------|
| Building                       | \$ 320,000        |
| Land                           | 78,000            |
| Improvements                   | 23,583            |
| Furniture and Equipment        | 49,394            |
| Less: accumulated depreciation | <u>(32,808)</u>   |
| Net book value                 | <u>\$ 438,169</u> |

Depreciation expense for the year ended June 30, 2013 was \$15,449.

NOTE 6 – LEASE COMMITMENTS

YEP leased office space for their main administration office in New Orleans, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2013. The lease expires December 2014. Future minimum lease payments at June 30, 2013 are \$42,449.

Rent expense incurred under this lease was \$29,964 for the year ended June 30, 2013.

YEP also leased a satellite office for employee access in Luling, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2013. The lease expires December 2013. Future minimum lease payments at June 30, 2013 are \$3,000.

Rent expense incurred under this lease was \$6,000 for the year ended June 30, 2013.

YEP also leased an additional office space for the Work and Learn Program in New Orleans, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2013. The lease expires December 2013. Future minimum lease payments at June 30, 2013 are \$7,200.

Rent expense incurred under this lease was \$7,200 for the year ended June 30, 2013.



# NOTE 7- TEMPORARY RESTRICTIONS ON ASSETS:

Temporarily restricted net assets are restricted by donors for specific purposes or designated for subsequent periods. At June 30, 2013, temporarily restricted net assets are available for the following purposes:

|   |         |
|---|---------|
| Highland Street Foundation – Grant agreement for the period of November 2011 through October 2013, and restricted for program operations; funds under this grant were recorded as income and totaled \$25,000 in 2011-12<br>Since inception \$20,833 has been expended for grant purposes | \$4,167 |
| Entergy Charitable Foundation – Grant agreement for the period of July 2012 through July 2013 for program operations; funds under this grant were recorded as income and totaled \$25,000 in 2012-13;<br>Since inception \$22,917 has been expended for grant purposes                    | 2,083   |
| JP Morgan Chase – Grant agreement for the period of November 2012 through November 2013 for program operations; funds under this grant were recorded as income and totaled \$100,000 in 2012-13;<br>Since inception \$58,333 has been expended for grant purposes                         | 41,667  |
| Stub Hub – Grant agreement for the period of December 2012 through November 2013 for program operations; funds under this grant were recorded as income and totaled \$25,000 in 2012-13; Since inception \$12,500 has been expended for grant purposes                                    | 12,500  |
| Trafigura Foundation – Grant agreement for the period of January 2013 through December 2016 for program operations; funds under this grant were recorded as income and totaled \$845,000 in 2012-13. Since inception \$140,833 has been expended for grant purposes                       | 704,167 |
| Zemurray Foundation – Grant agreement for the period of January 2013 through December 2014, and restricted for program operations; funds under this grant were recorded as income and totaled \$70,000 in 2012-13;<br>Since inception \$17,500 has been expended for grant purposes       | 52,500  |
| AT&T Foundation – Grant agreement for the period of May 2013 through December 2013 for program operations; funds under this grant were recorded as income and totaled \$5,000 in 2012-13;<br>Since inception \$1,250 has been expended for grant purposes                                 | 3,750   |
| Fore!Kids Foundation – Grant agreement for the period of April 2013 through March 2014 for program operations;<br>funds under this grant were recorded as income and totaled \$7,500 in 2012-13; Since inception \$1,875 has been expended for grant purposes                             | 5,625   |

|  |         |
|--|---------|
| Institute of Mental Hygiene – Grant agreement for the period of June 2013 through May 2014, and restricted for program operations; funds under this grant were recorded as income and totaled \$20,000 in 2012-13; Since inception \$1,667 has been expended for grant purposes  | 18,333  |
| Harrah's – Grant agreement for the period of May 2013 through July 2014 for program operations; funds under this grant were recorded as income and totaled \$2,000 in 2012-13; Since inception \$1,334 has been expended for grant purposes                                      | 666     |
| The Greater New Orleans Foundation – Grant agreement for the period of January 2012 through January 2014 for program operations; funds under this grant were recorded as income and totaled \$210,548 in 2011-12; Since inception \$149,138 has been expended for grant purposes | 61,410  |
| The Greater New Orleans Foundation – Grant agreement for the period of May 2013 through April 2014 for program operations; funds under this grant were recorded as income and totaled \$25,000 in 2012-13; Since inception \$4,167 has been expended for grant purposes          | 20,833  |
| Iberia Bank – Grant agreement for the period of June 2013 through June 2014 for program operations; funds under this grant were recorded as income and totaled \$10,000 in 2012-13;  | 10,000  |
| Baptist Community Ministries – Grant agreement for the period of January 2013 through September 2013 for program operations; funds under this grant were recorded as income and totaled \$121,130 in 2012-13. Since inception \$80,753 has been expended for grant purposes      | 40,377  |
| W. K. Kellogg Foundation – Grant agreement for the period of April 2013 through March 2014, and restricted for program operations; funds under this grant were recorded as income and totaled \$60,000 in 2012-13; Since inception \$15,000 has been expended for grant purposes | 45,000  |
| AT&T Foundation – Grant agreement for the period of September 2012 through August 2013 for program operations; funds under this grant were recorded as income and totaled \$5,000 in 2012-13; Since inception \$4,167 has been expended for grant purposes                       | 833     |
| W. K. Kellogg Foundation – Grant agreement for the period of May 2012 through April 2014 for program operations; funds under this grant were recorded as income and totaled \$300,000 in 2011-12; Since inception \$175,000 has been expended for grant purposes                 | 125,000 |

|  |       |
|--|-------|
| Baptist Community Ministries – Grant agreement for the period of February 2013 through September 2013, and restricted for program operations; funds under this grant were recorded as income and totaled \$11,580 in 2012-13; Since inception \$6,617 has been expended for grant purposes | 4,963 |
|--|-------|

|  |                |
|--|----------------|
| Tides Foundation – Grant agreement for the period of July 2011 through June 2014 for program operations: funds under this grant were recorded as income and totaled \$495,000 in 2010-11; Since inception \$330,000 has been expended for grant purposes | <u>165,000</u> |
|--|----------------|

|  |                    |
|--|--------------------|
| Total temporarily restricted funds – June 30, 2013 | <u>\$1,318,874</u> |
|--|--------------------|

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

|                                    |               |
|------------------------------------|---------------|
| AT&T Foundation                    | \$ 5,417      |
| Baptist Community Ministries       | 154,245       |
| Bright Family Fund                 | 9,000         |
| Capital Bank                       | 5,000         |
| Entergy Charitable Foundation      | 22,917        |
| Fore! Kids Foundation              | 1,875         |
| Harrah's                           | 13,833        |
| Iberia bank                        | 15,000        |
| <br>Institute of Mental Hygiene    | <br>1,667     |
| JP Morgan Chase                    | 58,333        |
| Libby Dufour Foundation            | 20,000        |
| Luceia Foundation                  | 2,500         |
| Mr. & Mrs. Thomas Usdin            | 7,500         |
| Open Society Institute             | 83,333        |
| Stub Hub                           | 12,500        |
| The Greater New Orleans Foundation | 132,108       |
| Tides Foundation                   | 165,000       |
| TJX Foundation                     | 1,250         |
| Trafigura Foundation               | 140,833       |
| W.K. Kellogg Foundation            | 230,090       |
| Winingder                          | 77,000        |
| Zemurray Foundation                | <u>17,500</u> |

|                           |                     |
|---------------------------|---------------------|
| Total net assets released | <u>\$ 1,176,901</u> |
|---------------------------|---------------------|

NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supported services benefited.

NOTE 9 – CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

YEP receives grants and contracts for services from the public and foundations which comprises the majority of its revenue.

NOTE 10 - LITIGATION AND CLAIMS:

There is no pending litigation against YEP at June 30, 2013. Furthermore, the management of YEP believes that any potential lawsuits would be adequately covered by insurance.

NOTE 11 - BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

**SPECIAL REPORTS OF INDEPENDENT AUDITOR**

**Reginald A. Bresette, III**  
**Limited Liability Company**

**Reginald A. Bresette, III, CPA**

Member  
American Institute of Certified Public Accountants  
Society of Louisiana Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors,  
Youth Empowerment Project  
New Orleans, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Youth Empowerment Project (the Company)(a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-1 and 2013-2.

### **The Company's Response to Findings**

The Company's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Company's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read 'Reginald A. Bresette, III', with a long horizontal line extending from the end of the signature.

Reginald A. Bresette, III LLC  
Certified Public Accountant

December 20, 2013

## **SCHEDULE OF FINDINGS AND REPOSSES**

### **For the Year Ended June 30, 2013**

I have audited the financial statements of Youth Empowerment Project (the Company) (YEP) as of and for the year ended June 30, 2013, and have issued our report thereon dated December 20, 2013. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. My audit of the financial statements as of June 30, 2013, resulted in an unqualified opinion.

### **Section I Summary of Auditor's Reports**

#### **a. Report on Internal Control and Compliance Material to the Financial Statements**

##### **Internal Control**

Material Weaknesses – None

Significant Deficiencies – Yes

##### **Compliance**

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2013-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct

all the deficiencies an auditor reports. In this case I do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.



Management's Response: We concur with the audit finding.

2013-2 Findings: Our examination disclosed there is lack of segregation of duties within the company. This weakness is due to the fact that the company has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the company has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. I recommend that the organizations's finance committee and executive director continue to closely monitor all records and transactions.

Managements Response: The company's executive director and board concur with the recommendation.

b. Federal Awards

Internal Control

Material Weaknesses – None

Reportable Conditions – None

Compliance

Compliance Material to Financial statements - No

Compliance Immaterial to Financial statements - No

**Section II Financial Statement Findings**

There were no financial statement findings during the fiscal year ended June 30, 2013.

**Section III Federal Award Findings and Questioned Costs**

None.

## **SPECIAL REPORTS OF MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS**

**For the Year Ended June 30, 2013**

### **SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

#### **Internal Control**

Material Weaknesses – None

Responses – None

#### **Compliance**

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2012-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: We concur with the audit finding.

## **SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

### **For the Year Ended June 30, 2013**

2012-2 Findings: Our examination disclosed there is lack of segregation of duties within the company. This weakness is due to the fact that the company has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the company has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the organization's finance committee and executive director continue to closely monitor all records and transactions.

Managements Response: The Company's executive director and board concur with the recommendation.

## **SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

In regards to federal awards, YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

## **SECTION III MANAGEMENT LETTER**

There was no management letter issued for the audit year ended June 30, 2012.

## **MANAGEMENT CORRECTIVE ACTION PLAN**

**For the Year Ended June 30, 2013**

### **SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the financial statements.

### **SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

In regards to federal awards, YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

### **SECTION III MANAGEMENT LETTER**

There was no management letter issued for the audit year ended June 30, 2012.